

Help Sheet: Premiums and Discounts

Arlingclose Online Spreadsheets

Purpose

The Premiums and Discounts spreadsheet is designed to calculate the premiums payable and discounts receivable on premature repayment (or prepayment) of long-term borrowing.

This spreadsheet links to the Borrowing workbook where details of your existing loans are saved and to the MarketData workbook in the library for current interest rates. You should enable links when opening the file.

Input

Once you update links, the details of all your loans will show in columns A:K. You can use the filter arrows on the header row 5 to exclude certain rows, e.g. matured loans and blank rows.

In cell I3 enter the date you wish to model repayment for. This defaults to two working days after the current date in cell R3, but this can be changed.

The current PWLB prepayment rate for each loan is shown in column R. You may make an adjustment to this rate in column S and the adjusted rate will be shown in column T. For example, for non-PWLB loans you can increase the rate to a more realistic level. PWLB prepayment rates are around 0.11% below gilt yields, so to use a rate of gilts plus 0.80%, you should enter an adjustment of 0.91%. Alternatively you can use this as a scenario planning tool, e.g. what happens to the premium if gilt yields rise or fall by 1%.

Please ask our advice on the latest adjustments suitable for different lenders.

Outputs

The premiums and discounts for each loan are shown in column U. A positive number indicates a premium payable while a negative number indicates a discount receivable.

The total sum repayable, comprising the outstanding principal, accrued interest to date and premium or discount, is shown in column V.

On a separate tab, the chart shows lines for the PWLB prepayment rate and new loan rate and points for each loan. For PWLB loans, premiums are payable for loans above the grey line and discounts are receivable for those below the line.

More Help

We recommend you speak to us before premature repayment of long-term borrowing.

Further help sheets are available at <https://www.arlingclose.com/insights/help-sheets>.

If you have any further queries, please email the Arlingclose team at treasury@arlingclose.com.

Arlingclose Limited

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